

CHRISTIAN SCIENCE MONITOR OP-ED: WE NEED "SWIFT ACTION" TO SOLVE ECONOMIC CRISIS

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Obama inherited a fiscal disaster. Now what?

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By Jim Cooper

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Washington - Few

Americans have any idea how bad the financial problems are that President Obama inherited from the Bush administration. Never mind the housing bubble, the bank meltdown, or the bailout scandals – I am talking about the failure of federal government to honestly account either for its own actions or for America's most important programs: Medicare, Social Security, and Medicaid.

George W. Bush took office after three years of budget surpluses under President Bill Clinton. Eight years later, Obama walked into the Oval Office to find – gift-wrapped with a bow, as he recently joked – almost \$11 trillion in Treasury debt, and deficits of more than \$1 trillion a year for the foreseeable future. That's a \$30,000 burden on every man, woman, and child in America, on top of the taxes they are already paying. Under better management, that number could have been zero.

If this weren't bad enough, President Bush's financial legacy is marred by other fundamental problems. Bush's team borrowed more than \$1 trillion from the Social Security "trust fund" and seemed to spend it on everything except Social Security. Like Blanche DuBois in Tennessee Williams's "Streetcar Named Desire," Social Security now depends on the kindness of strangers – namely, future taxpayers and foreign lenders.

Worse, the Bush administration refused to tell the public about the extraordinary underfunding or overpromising of our major entitlement programs. According to an audited Treasury report, Medicare is \$34 trillion in the hole and Social Security is another \$13 trillion. We don't even know how to measure Medicaid's problems, but some estimates put the shortfall around \$30 trillion. To put this in perspective, the entire fiscal gap for America is at least four times as great as our total annual gross domestic product.

The US Treasury's Financial Report of the US Government

is the key document for understanding these problems because it is the only place where Uncle Sam uses real accounting and audited numbers, just as every major company, charity, or state or local government is required to do by law. It is released every Dec. 15, and is available on the Treasury website. Until now, you have probably never heard of the Financial Report.

To its credit, the Obama White House has added a link to the Financial Report on its website, a step the Bush administration never took. The report will tell you that the per capita share of America's total obligations, including entitlements, is more than \$184,000 each. The typical American family's share is roughly half a million dollars.

The truth hurts. But the real news is that the 2008 fiscal gap was more than \$3 trillion and worsening fast due to our entitlement problems. Hardly any reporter covered this story. And this was before the cost of economic recovery or shoring up our financial system. Including these costs, the 2009 fiscal gap could approach \$5 trillion.

Whether due to tradition, inertia, or ignorance, Uncle Sam refuses to weigh himself on an honest scale. It's a decision with serious consequences.

Two leading credit rating agencies on Wall Street, Standard & Poor's and Moody's, projected — while Bush was still president — that the US Treasury bond could lose its AAA rating as soon as 2012. If we allow this projection to come true, the US will have plummeted from the prospect of being debt-free to destroying its credit rating in only eight years.

Standard & Poor's was unusually specific in its projection. It said that the US could have the same credit rating as Estonia or Greece by 2015, Poland or Mexico by 2020, and Panama by 2025. Panama's debt is below investment grade; it's junk. How can the greatest nation in the world be reduced to such comparisons? The answer is eight years of financial mismanagement.

The first rule of holes is to stop digging. President Bush not only failed to stop digging, he used a power shovel. The giant task of the Obama administration will be to build a tall enough ladder to help us climb out. This is a job that will take many years — perhaps decades.

The construction project starts Feb. 23, when Obama is expected to host a fiscal responsibility summit at the White House. His first challenge will be to explain the massive scope of the problem; next, he will have to convince Americans that he wants to preserve and strengthen the social safety net, not weaken it, as naysayers claim. Finally, Republicans and Democrats will have to agree to share some sacrifice. Nothing is off-limits: taxes and spending must both be on the table.

I have proposed forming a bipartisan fiscal reform commission that would hold public meetings around the country and then propose a framework for tax and entitlement reform. The chief virtue of the commission approach is that it starts the clock: If Congress, or the White House, has another solution, it will be considered alongside the commission's proposal.

What matters is that we solve these problems, which grow worse every day. All good-faith ideas must be welcomed.

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<http://www.csmonitor.com/2009/0218/p09s02-coop.html>